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S E C R E T SECTION 01 OF 02 ABU DHABI 003008

SIPDIS

E.O. 12958: DECL: 07/06/2015

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SUBJECT: ONE MORE CRACK IN THE GCC - UAE/SAUDI BORDER DISPUTE

REF: ABU DHANI 2946

Classified By: Ambassador Michele J. Sison, for reasons 1.4 (b) and (d)

1. (S) Summary. Tensions between UAE and Saudi Arabia over a border dispute have broad implications for intra-Gulf Cooperation Council (GCC) relations and the long-term viability of the GCC. UAE officials view Saudi objections to a planned causeway to link the UAE and Qatar as Saudi Arabia's attempt to prevent the other GCC states from deepening ties independent of Saudi Arabia. President Khalifa is taking a vigorous personal interest in resolving this dispute favorably for the UAE. UAE Deputy Prime Minister and Minister of State for Foreign Affairs Sheikh Hamdan bin Zayed al Nahyan (HbZ) will travel to Riyadh in mid-July to continue discussions with Interior Minister Prince Nayef bin Abdul Aziz and other key leaders. UAE officials have told us that if the discussions do not go well, the UAE will "turn up the heat" on the Saudis. End summary.

#### Revival of Old Border Dispute

2. (S) Earlier this year, tension emerged between Saudi Arabia and the UAE and Qatar, when Saudi Arabia objected to UAE plans to build a causeway over the Khor Al Odeid waters that would directly connect the UAE to Qatar. The UAE insists that under a 1974 border treaty, it gave up the onshore stretch of land at Khor Al Odeid, but not the territorial waters, and UAE leaders have used this incident to reinitiate long-standing objections to the 1974 treaty. According to a close aide of Abu Dhabi Crown Prince Mohammed bin Zayed (MbZ), President Khalifa is "furious" with the Saudis and is taking a personal interest in resolving the dispute to the UAE's advantage.

3. (C) Former President Zayed signed the 1974 border agreement three years after the UAE's independence in order to obtain Saudi recognition, but the UAE never actually ratified the treaty. According to the terms of the agreement, Saudi Arabia dropped its claim to the Buraimi Oasis region (located on the eastern edge of UAE territory near Al Ain), in return for Abu Dhabi giving up a 25 km strip of land at Khor al-Odeid that linked it to Qatar. Additionally, the two nations agreed that full control over any existing or future discoveries of cross-border hydrocarbons would be granted to the country controlling the majority of the field. As such, the UAE gave up its claim to the Zararah oil field. The Zararah field (known in Saudi Arabia as the Shaybah oilfield) spans the UAE-Saudi border in the Rub al-Khali (or Empty Quarter) and contains 15 billion barrels of proven oil reserves and 25 trillion cubic feet of untapped gas reserves. Although 10 to 20 percent of the oil reserve lies within UAE territory, Saudi Arabia has economic rights to the entire reservoir under terms of the 1974 agreement. Saudi Interior Minister Prince Nayef bin Abdul Aziz visited the UAE on June 19 and met with HbZ to discuss the border dispute. Nothing was resolved, and HbZ intends to travel to Riyadh in mid July to press UAE's points once again. He and his aides have told us that they are "not optimistic" about successful resolution of the issue during the visit.

#### It's Not About Oil, It's About the GCC

4. (S) Contrary to press reports suggesting the UAE wants to exploit the Zararah oil field, our interlocutors tell us that the UAE's primary concern is having sovereignty over its territorial waters, and the implications this has for the UAE's independent relations with its neighbors. According to MFA U/S Abdullah Rashid al Noaimi, the border dispute arises out of Saudi Arabian concern over losing influence over the smaller Gulf states. The causeway is the UAE's redline issue, according to al Noaimi. During a 26 June meeting between HbZ and PDAS Liz Cheney, HbZ stated that the UAE would not accept joint sovereignty over the maritime border "no matter what the consequences" (reftel).

5. (S) UAE leaders believe Saudi opposition to the causeway linking UAE and Qatar stems from the Saudi's objection to Gulf countries having ties independent of Saudi Arabia. The Saudis had interfered on a number of issues important to

other GCC states -- the Qatar-UAE gas pipeline and the Qatar-Bahrain causeway, and to Gulf states signing bilateral free trade agreements with other countries. During his meeting with PDAS Cheney, HbZ predicted that the Saudis' efforts to block commercial cooperation, economic development, and health issues would doom the GCC.

#### Turning Up the Heat

16. (S) UAE officials view HbZ's mid-July visit to Riyadh as a critical juncture in the border discussions. Al Noaimi told us recently that UAE officials believe the Saudi objections are "gut" reactions and not strategic, coordinated policies. Thus, HbZ intends to meet with key Saudi leaders Crown Prince Abdullah, Deputy Prime Minister and Minister of Defense Sheikh Sultan, Interior Minister Prince Nayef, and Minister of Foreign Affairs Saud al Faisal to gauge their level of engagement. Both Al Noaimi and HbZ are pessimistic about the outcome of the Riyadh meetings, and according to Al Noaimi, "if there is no progress, we will try other things to turn up the pressure on them." According to MbZ's senior aide, if the Riyadh meetings go poorly, the UAE is considering withdrawing the UAE Peninsula Shield Rotation Brigade from Hafr Al Batin. (Comment: Since the 1991 Gulf War, every GCC country has provided troops to Hafr Al Batin in order to protect Saudi Arabia from Iraqi invasion. Although the argument could now be made that the troops are no longer necessary, UAE removal of its troops would send a clear signal to the Saudis of the UAE's unhappiness with the relationship between the two countries. End Comment.)

17. (S) Although the UAE has not mobilized additional troops to the border regions, it has taken small steps to impress upon the Saudis the seriousness of this dispute. According to a senior executive of the Abu Dhabi Company for Onshore Oil Operations (ADCO), two months ago President Khalifa instructed him to send an ADCO team to the border along the Zararah oil field to "indicate a UAE presence." He and his team were surprised to find an army presence already at the Saudi border. The Vice President of Occidental Middle East told Ambassador that last year, the UAEG had asked Oxy if it would be interested in producing part of the Zararah oil field, but the UAEG decided to not pursue production because of Saudi objections. Abdullah Nasser al Suweidi, Deputy CEO of ADNOC, told Embassy officers last week that ADNOC was simply waiting for the "go ahead" and it could immediately begin drilling on the field. He opined, however, that the UAE was not likely to secure the right to exploit Zararah, and that it was using this as a negotiating point.

18. (S) During his meeting with PDAS Cheney, HbZ stressed that he raised the border issue to inform of the issue and not as a request for action yet. However, MFA U/S Al Noaimi has reiterated twice this past week that the UAE may come to us for assistance after HbZ's meetings in Riyadh. He stated that the UAE might ask the U.S. to encourage the Saudis to resolve the issue, out of concern for Gulf security and stability.

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